



## Record of the ISO 2022 Data Working Group on Purpose Codes

9 March 2018

### Attendees:

Bank of England	Faster Payments	Nationwide
Lloyds Banking Group	Santander	Payment Systems Regulator
	CLS	

### Introduction

- The last two meetings of the ISO 2022 Data Working Group were used to discuss purpose codes. At this stage, the Bank is minded to introduce purpose codes on an optional basis but could seek to make these mandatory – either in specific cases, or more generally – where there is a clear benefit. The current ISO list of codes is not appropriate to the UK.
- A sub-group was formed to evaluate;
  - i. The current ISO 2022 payment purpose code list.
  - ii. A strawman purpose code list formulated by the Bank.
- Outputs of the discussion will be raised in a HVPS+ working group on purpose codes, potentially be used in the Bank's ISO 2022 consultation and will act as a baseline for any future discussion on the final purpose code list to be introduced in CHAPS.

### Summary of discussion

- The group suggested that there could be a higher level purpose code set above the ISO 2022 category purpose code list. This could involve a matrix of codes depending on the originator and beneficiary of the payment such as individual:individual, government:charity etc. and could link to a subset of the more granular codes proposed below.
- The group reviewed the Bank's purpose code strawman and made a number of additions (see appendix below).
  - For some payments, a number of different codes could be used to identify the purpose. For example, state pensions could be categorised both as a 'pension payment' as well as a 'social security benefit'. Guidance would need to be published on which codes to use in various scenarios.
  - Absent from the ISO 2022 list were codes to reflect common consumer spending activity such as groceries, clothes, leisure, and entertainment.
  - Financial Institutions (FIs) are generally in a position to provide greater granularity as to the purpose of a given payment, so could be presented with more granular purpose code options than indicated in the strawman. This area is of particular importance for macroeconomic analysis.
  - It was acknowledged that several of the ISO codes are entirely irrelevant to the UK context. For instance, one code related to an Austrian government scheme. There was a question whether how non-UK codes could pass-through the UK infrastructure.



- Several attendees pointed out that aside from the benefits surrounding contingency planning and macroeconomic analysis, purpose codes could be extremely useful in the mitigation of authorised push payment (APP) fraud.
- One option for the Bank to consider would be making the use of purpose codes mandatory where the value is over a certain threshold, where the payment is related to a specific purpose e.g. housing, or where the payment is between two financial institutions. The challenges in making purpose codes mandatory for end-users were discussed.

### Annex: updated strawman payment purpose code list

1. Government Payment	11. Property Purchase*	21. Deposit
2. Supplier Payment	12. Utilities	22. Insurance Premium
3. Trade Services	13. Rent	23. Loan
4. Intracompany payment	14. Purchase Sale Of Goods And Services	24. Interest
5. Business Expenses	15. Cash Management Transfer	25. Liquidity Management
6. Education	16. Treasury Payment	26. Refund
7. Salary	17. Investment & Securities	27. Charity Payment
8. Social Security Benefit	18. Foreign Exchange	28. Construction*
9. Tax payment	19. Hedging	29. Cryptoassets*
10. Pension Payment	20. Dividend	30. Deposit
		31. Payment of Fees
		32. Gift*

\*Indicates that a change request would be required

*Note: some attendees have asked to follow up bilaterally with further thoughts on the above list.*